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# **The President's International Affairs Budget for Fiscal Year 2002**

**By**

**Secretary of State Colin L. Powell**

This budget represents a needed increase in the Department of State's dollars for the upcoming fiscal year, and we are pleased with that. This is a good start. It is the first fiscal step in our efforts to align the conduct of America's foreign relations with the dictates of the 21st century.

As Secretary of State I wear two hats, one as CEO of the Department, the other as the President's principal foreign policy advisor. Since the primary interest of this subcommittee is in my role as foreign policy advisor to the President, I will wear that hat for this testimony.

Of the \$23.9 billion in the President's fiscal year 2002 budget request including a 5 percent increase over this year, there is \$15.2 billion for foreign operations or about 2 percent more than this year. Let me give you some of the highlights of that part of the budget request and let me begin with a significant change we are making in the way the U.S. Agency for International Development carries out its business.

## **U.S. Agency for International Development**

The President's fiscal year 2002 budget marks the beginning of a new strategic orientation for U.S. Aid (USAID). At the center of this strategic orientation is a new way of doing business to ensure that USAID's long-term development assistance and humanitarian/disaster relief programs better respond to U.S. national interests.

Increasing levels of conflict, degraded economic performance, and widespread disease are causing regional instabilities, complex humanitarian emergencies and, in some cases, chaos. These conditions threaten the achievement of USAID's development objectives and broader U.S. foreign policy goals. The new administration intends to address these particular conditions by concentrating USAID resources and capabilities for a more effective method of delivery.

To improve USAID's effectiveness, several important changes are outlined in the budget:

- Reorientation of USAID programs to focus on "Four Pillars," each of which supports achievement of USAID's objectives.
- As the first pillar, introduction of the global development alliance as USAID's new model for doing business.
- The simplification, integration and reorientation of current programs and their alignment with three new program pillars:
  - Economic growth and agriculture
  - Global health
  - Conflict prevention and developmental relief

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- Adjusting the agency's budget priorities to target increased funding for agriculture, HIV/AIDS, basic education, and conflict prevention and resolution
  - Directing senior management attention to the sweeping overhaul of the agency's management, procurement, and operating systems.

### **The Global Development Alliance Pillar**

The global development alliance (GDA) is USAID's business model for the 21st century and is applicable to all USAID programs. As USAID's first pillar, the GDA is based on the agency's recognition of significant changes in the economic development assistance environment. No longer are governments, international organizations and multilateral development banks the only assistance donors nor is official development assistance the only source of funding for international economic development. Rather, over the past twenty years a growing number of new actors have arrived on the scene:

- Non-government organizations
- Private voluntary organizations (PVOs)
- Foundations
- Corporations
- Higher education community
- Individuals

These organizations are providing development assistance. As a result, the U.S. government is not the only, nor perhaps even the largest, source of American funding and human resources being applied to the development challenge.

The GDA will be a fundamental reorientation in how USAID sees itself in the context of international development assistance, in how it relates to its traditional partners and in how it seeks out and develops alliances with new partners. The USAID will use its resources and expertise to assist strategic partners in their investment decisions and will stimulate new investments by bringing new actors and ideas to the overseas development arena. USAID will look for opportunities where relatively small amounts of risk or start-up capital can prudently be invested to generate much larger benefits in the achievement of overall objectives. USAID will increasingly fill the role of a strategic alliance investor, a role akin to that of a venture capital partner, in the resolution of serious development issues. Unlike a venture capital fund, however, the agency will not try to establish equity positions or seek early exits from the activities in which it invests. Sustained improvement over the long haul will remain a prime objective. Of course, the agency will continue to deploy resources where private funding is not available and for activities where the governmental role is clear and pre-eminent to stimulate institutional and policy change.

In order to launch the GDA, a special unit will be established to expand outreach into the private for-profit and not-for-profit sectors. To stimulate movement towards the global development alliance in its early years, USAID has identified \$160 million in the fiscal year 2002 request to be used to initiate the new business model and to help fund alliances by Washington bureaus and/or field missions, with a view toward fully integrating GDA concept into the three program pillars not later than fiscal year 2004. Global development alliance is not expected to become a separate funding account.

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The funds for initiating the GDA are proposed from the following appropriations accounts:

- \$110 million in development assistance (DA)
- \$25 million in the child survival and disease program fund (CS/D)
- \$25 million in international disaster assistance (IDA)

Uses will be consistent with the authorized intentions of these accounts.

### **Program Pillars**

The three program pillars are part of the justification for the proposed overall program level of \$3.4 billion for USAID's directly-managed programs, including food aid and excluding USAID's administrative expense accounts and programs jointly managed with the Department of State. Details on the three program pillars follow.

#### **The Economic Growth and Agriculture Pillar (\$928 million)**

Assistance provided under this pillar will work to create economies that are viable over the long term. Special emphasis will be directed at integrating growth, agriculture and environmental objectives and concerns in a manner such that "market forces" play an increasingly important role in our strategic approach and in determining a program's long-term viability. Activities funded will assist the productive sectors, especially agriculture, the environment and energy sectors, human capacity development (including basic education), micro-enterprises, and improvement of the business, trade, and investment climate. The interrelationship and interdependence of economic growth, environmental sustainability and the development of a country's human capital will be highlighted in this pillar.

- The request for fiscal year 2002 is \$928 million compared to an equivalent figure of \$871 million in fiscal year 2001 (both including \$28 million for the African and Inter-American Development Foundations).

- Given the importance of agriculture and basic education (especially for girls and women) in most recipient countries, USAID plans to increase its emphasis in these sectors.

#### **The Global Health Pillar (\$1.276 billion)**

Under this pillar, USAID will group its programs related to maternal and child health, nutrition, family planning and many of the related transnational issues confronting the world, such as HIV/AIDS and other infectious diseases. This budget includes a major initiative to combat HIV/AIDS and other infectious diseases, mainly malaria and tuberculosis, which have significant public health impact.

Child survival interventions target the major childhood killers, including vaccine-preventable diseases, e.g., polio, diarrhea disease, malnutrition, acute respiratory infections, and malaria. USAID programs continue an aggressive effort to eliminate vitamin A and other micronutrient deficiencies. Maternal health activities aim to reduce maternal deaths and adverse outcomes as a result of pregnancy and childbirth. In family planning, USAID programs seek to promote family health and allow couples to achieve their desired family size. For HIV/AIDS and infectious diseases, USAID will aggressively promote public and private partnerships and provide technical leadership for programs at the national and grass-roots levels.

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The global health programs are funded from the CS/D account with the exception of family planning, which is currently financed from DA funds and other accounts. The fiscal year 2002 request for global health, \$1.276 billion, compares to an equivalent figure of \$1.259 billion in fiscal year 2001 (both include \$110 million in transfers to UNICEF).

- The Global Health request for HIV/AIDS funding has increased from \$299 million in fiscal year 2001 to \$329 million to address more effectively this major public health issue. The total amount available for HIV/AIDS from all appropriated accounts, including ESF, is expected to be \$369 million.

- The remaining \$947 million is proposed for child survival and other global health activities. These funds would support efforts to improve maternal and child health and nutrition, reduce infant and child mortality and support programs that promote family health, and allow couples to achieve their desired family size. The total amount available for family planning is \$425 million from all appropriated accounts.

#### The Conflict Prevention and Developmental Relief Pillar (\$1.217 billion)

Given the rising number of collapsed states and internal conflicts in the post-Cold War period, some of which have become focal points of U.S. foreign policy, USAID will undertake a major new conflict prevention, management, and resolution initiative. This initiative will integrate the existing portfolio of USAID democracy programs with new approaches to anticipating crisis, conflict analysis, comprehensive assessment, and will provide new methodologies to assist conflicting parties resolve their issues peacefully. This initiative will also address on-going efforts to bridge and integrate foreign policy and foreign assistance in a way that accommodates both short-term operational and longer-term structural prevention needs.

USAID continues to stand at the forefront of agencies around the world in its ability to respond to man-made and natural disasters. The budget request will enable USAID to maintain this capability (unique within the United States) to provide needed help rapidly when international emergencies occur.

- The request for fiscal year 2002 is \$1.217 billion compared to an equivalent figure of \$1.181 billion in fiscal year 2001 (both include *PL 480 Title II* at \$835 million).

- International disaster assistance funding increases from \$165 million (excludes the fiscal year 2001 \$135 million supplemental) to \$200 million in recognition of the increased demands generated by complex emergencies and natural disasters.

- The request includes transition initiative funding of \$50 million to meet challenges in conflict-prone countries and those making the recovery from crisis.

- Democracy and local governance funding continues at \$132 million.

#### USAID Budget Accounts

- While the three program pillars embodied in USAID's new strategic orientation are a valuable way to focus, manage, and report on activities, they do not correspond neatly to the five program accounts for which the agency is currently responsible.

- The three program pillars discussed above will be funded by the following five program accounts:

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- Child survival and disease programs fund
  - Development assistance
  - International disaster assistance
  - Transition initiatives
  - Development credit program

The development credit program is funded mainly through transfers from the other accounts. In addition, USAID administers *Public Law 480 Title II Food for Peace* programs.

#### Child survival and disease programs fund (CSD)

- The fiscal year 2002 request is \$1.011 billion, compared to an equivalent figure of \$961 million in fiscal year 2001, both include \$110 million for UNICEF.
- This account includes funding for
  - infectious diseases at \$110 million
  - HIV/AIDS at \$329 million
  - basic education at \$110 million (with an additional \$13 million from development assistance)
  - \$454 million for child survival and other health activities

#### Development assistance (DA)

- The Administration's fiscal year 2002 request is \$1.325 billion, compared to an equivalent figure of \$1.302 billion in fiscal year 2001, both years include \$28 million for the Inter-American and African Development Foundations.
- This account includes funding for;
  - agriculture at about \$210 million;
  - micro-enterprise and improvement in business trade and investment climate activities at \$284 million;
  - environment at \$251 million
  - human capacity development (non-basic education) at \$52 million
  - basic education at \$13 million
  - family planning at \$425 million

These are funded from development assistance and other appropriation accounts.

#### International disaster assistance (IDA)

- The fiscal year 2002 request of \$200 million supports emergency relief and transitional activities provided in response to natural and man made disasters and other emergencies often accompanied by the displacement of large numbers of people.

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### Transition initiatives (TI)

- The fiscal year 2002 request of \$50 million supports programs administered by USAID's Office of Transition Initiatives. This office addresses the opportunities and challenges facing conflict-prone countries and those making the transition from the initial crisis stage of a complex emergency to a more stable political and economic situation.

### Development credit program (DCP)

- For fiscal year 2002, the Administration is requesting transfer authority of up to \$25 million from USAID program accounts for the newly consolidated development credit authority. This brings together various separate agency credit programs under one credit umbrella.

- The change will allow USAID to use credit as a flexible development tool for a wide range of development purposes and will increase the flow of funds to urban credit and micro and small enterprise development programs.

- In addition, \$7.5 million is requested for administrative costs for the consolidated authority. It is envisioned that all future agency credit activities will be carried out under the reforms embodied in development credit program regulations and the *Federal Credit Reform Act of 1992*. This program augments grant assistance by mobilizing private capital in developing countries for sustainable development projects. The development credit program is not intended for sovereign risk activities.

### USAID's operating expenses

- The fiscal year 2002 request of \$549 million will provide resources needed to maintain current staffing levels associated with USAID's presence in key developing countries, continue to build the agency's information technology and financial management capabilities, and strengthen staff capabilities through training.

- These funds cover the salaries, benefits, and other administrative costs associated with USAID programs worldwide, including those managed by USAID and financed through

- Development assistance
- Child survival and disease programs fund
- Economic support fund
- Support for *East European Democracy Act*
- *Freedom Support Act*
- *P.L. 480 Title II Food for Peace* programs

- The request includes \$7.5 million for facility security where USAID is not co-located with embassies. There is also a request of \$50 million for co-located USAID facilities included in the State Department's embassy security, construction, and maintenance request.

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## Economic Support Fund (including International Fund for Ireland)

The fiscal year 2002 economic support fund (ESF) request of \$2.289 billion supports the economic and political foreign policy interests of the United States. Highlights of the fiscal year 2002 request include:

- **Near East** \$1.682 billion to continue restructuring assistance levels in the Middle East and promote regional stability and a comprehensive peace between Israel and her neighbors. Funding includes \$720 million for Israel, \$655 million for Egypt, \$150 million for Jordan, and \$75 million for the West Bank and Gaza. In addition, the fiscal year 2002 request provides funding for the Iraqi opposition and for programs that support U.S. efforts to strengthen regional cooperation, promote democracy and civil society, and encourage economic growth and integration through increased trade and market-oriented reforms.

- **Europe** \$39.6 million, including \$15 million for Cyprus and \$19.6 million for the International Fund for Ireland, as well as \$5 million for the third and final year of a program to bring youths from Northern Ireland and designated disadvantaged areas to the United States as outlined in the *Irish Peace Process Cultural and Training Program Act of 1998*.

- **Western Hemisphere** \$170.5 million, including \$54.5 million for democratic institution building and economic growth programs in Peru, Ecuador, Bolivia, Venezuela, and Panama under an Andean regional initiative; \$21 million for earthquake assistance in El Salvador; \$5 million for Cuban democracy programs; \$11 million for Eastern Caribbean stabilization; \$35 million for humanitarian non-government organizations in Haiti; \$10 million for reform in Mexico; \$10 million for administration of justice throughout the region; \$15 million to support the Ecuador/Peru border and Guatemala peace processes; and \$9 million for other regional democracy-building programs.

- **Africa** \$105.5 million, including \$25 million to assist Nigeria in rebuilding its democratic institutions; \$20 million to support countries in transition, especially those countries emerging from conflict; \$15 million to support the education for development and democracy in Africa program, with an emphasis on girls' education; \$15 million for regional initiatives, including democracy programs; \$10 million for the Africa Great Lakes Initiative designed to build credible and impartial civilian and military justice systems in the region; \$9 million for Sierra Leone to help fund a special court and rebuild infrastructure; \$2.5 million for Ethiopia/Eritrea to assist in efforts to recover from the war; \$2 million to strengthen civil society and lay the foundation for political institutions, democratic reform, and good government in Angola; and other programs designed to foster African integration into the global economy, enhance the safety and reliability of air transport on the continent, and support conflict management and prevention.

- **East Asia** \$169.75 million, including \$50 million to support democratic and economic strengthening in Indonesia; \$25 million for East Timor's transition to independence; \$25 million for humanitarian, justice, and democracy programs in Cambodia; \$15 million for anti-corruption and peace-promoting programs in the Philippines; \$14 million for South Pacific Fisheries Treaty commitments; \$12 million for democracy and free market support in Mongolia; \$5 million for rule of law programs in China; and other programs that support democracy promotion, regional environmental initiatives, regional women's issues, and economic technical assistance.

- **South Asia** \$30 million, including \$7 million to fund programs in India to promote judicial reform and rule of law and address the growing problem of trafficking and forced labor of women and children; \$7 million in Pakistan to help restore democratic institutions and build civil society; \$3 million each in Bangladesh, Sri Lanka, and Nepal to help combat child labor and violence against women and promote democracy and judicial reform, human rights commissions,

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and civil society participation in local and national government; and \$7 million to fund programs to promote regional energy cooperation and use of clean energy technologies, help eliminate cross-border trafficking in women and children, and fund projects promoting cross-border confidence-building measures between the civil societies of India and Pakistan and among elements of societies struggling with strife in Afghanistan, Nepal, and Sri Lanka.

- **Oceans, Environmental, and Science Initiative** \$4 million for environmental diplomacy activities. These funds will be used for targeted activities in support of ongoing international negotiations on global environmental issues including climate change; biodiversity; the production, use, and trade of hazardous chemicals; and numerous bilateral and regional fisheries and oceans negotiations. Funds will also be used to support regional cooperation efforts and respond to emerging environmental crises and priorities.

- **Human Rights and Democracy Funds** \$13.5 million to respond to emergencies to prevent or forestall further human rights abuses; to exploit unanticipated opportunities to promote democracy; to help establish institutions that serve human rights and democracy efforts, especially those that address concerns raised in the Human Rights reports; and to support multilateral initiatives that respond to human rights or democratization opportunities.

- **Innovative Partnerships to Eliminate Sweatshops** \$5 million to continue funding for non-government organizations, labor unions, and corporate groups to support the promotion of core labor standards, model business principles, and monitoring of labor conditions. The program is targeted at eliminating sweatshop conditions in overseas factories that produce or sell consumer goods for the American market.

- **Policy Initiatives** \$69 million designated for policy initiatives of the new Administration.

#### **Assistance for East Europe and the Baltic States**

- The Support for East European Democracy (SEED) Act is the foundation for U.S. assistance to Eastern Europe and the Baltic States. SEED is a transitional program designed to assist those countries through their difficult passage to democracy and a market economy. The fiscal year 2002 SEED request is \$610 million.

- For fiscal year 2002, the SEED request includes \$145 million for the Federal Republic of Yugoslavia. These funds will be used in both the Republics of Serbia and Montenegro to support economic reform and promote democracy and civil society by assisting judicial reform, independent media, non-government organizations, and local government. In Southern Serbia, continued support is needed for community development projects designed to reduce ethnic tensions.

- The request for Kosovo is \$120 million. These funds will further implementation of United Nations, Security Council 1244 by supporting security including the U.S. contingent to UNMIK police, democratization, and respect for human rights and rule of law. The United States is completing its emergency assistance programs and is now focusing on longer-term development goals such as building transparent economic and political institutions and a strong private sector.

- The increase for Macedonia to \$45 million will help the government move more rapidly in bringing the benefits of democracy to all of the country's citizens. Funds will target efforts to decentralize the government and allow a broader range of Macedonians to play a direct role in building their society. Economic programs will promote a strengthened private sector to extend



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prosperity to the wider populace. Finally, additional resources will support ongoing programs that promote inter-ethnic harmony and strengthen the fabric of civil society.

- Funding for the Bosnia-Herzegovina program is \$65 million, down from \$100 million in fiscal year 2000 and \$79.8 million in fiscal year 2001. This decrease reflects progress on the political commitments under the Dayton Peace Accords and the fact that Bosnians are taking on a greater role in managing their own affairs. The remaining reconstruction effort will focus on encouraging returns of dispersed minorities, which have increased in recent years.

- Eight of the fifteen original SEED countries have graduated, and USAID missions there have been closed. Regional funding, at reduced levels, continues for Northern Tier countries to help ensure the success of their transitions and to meet limited special or emergency needs.

- In Southeast Europe, SEED-funded regional programs help build stability by fostering cooperation among neighboring countries in key areas such as good governance and anti-corruption, the fight against organized crime and smuggling, and developing cross-border solutions for energy, transportation, and pollution.

### **Assistance for the Independent States of the Former Soviet Union through the *FREEDOM Support Act***

- The fiscal year 2002 request for the *FREEDOM Support Act* (FSA) for the New Independent States (NIS) totals \$808 million.

- This request sets aside funding in the regional account to support a settlement of the Nagorno-Karabakh conflict. These funds will enable the U.S. to contribute to post-settlement reconstruction in Azerbaijan and Armenia as part of a coordinated international donor effort.

- This budget directs a larger share of funds than last year towards promoting change at the grassroots of NIS societies, by supporting exchanges that bring NIS citizens including large numbers of young people to the United States for first-hand exposure to our system; strengthening non-government organizations; increasing internet access; and aiding pro-reform regional and local governments. With freedom of the press under threat in most countries of the region, emphasis will be placed on programs that support the independence and viability of the media. Support will also be continued for law enforcement cooperation to combat organized crime and corruption.

- Several of the NIS are now experiencing economic growth for the first time. To help sustain this growth, FSA programs will support small and medium-sized private businesses through training, exchanges, and greater access to credit. Technical assistance to central governments will be limited, focusing on those countries that show the greatest commitment to economic reform. In Russia, Kazakhstan, and Ukraine, funds will support initiatives designed to facilitate growth in pro-reform regions. Programs will also support U.S. investment and trade throughout the NIS.

- FSA programs will address some of the most serious socio-economic problems in the NIS, particularly in the fields of health, nuclear safety, and the environment. Health programs will include hospital partnerships and efforts to combat infectious diseases and improve maternal health. Resources devoted to humanitarian assistance will help mitigate the suffering caused by poverty, natural disasters, and regional conflicts.

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- The potential proliferation of weapons of mass destruction (WMD) remains a significant threat in the NIS. To address this threat, the request funds several programs aimed at channeling WMD expertise in the direction of civilian research and development of new technologies.

- The FSA-funded export control and border security program will continue to strengthen the ability of NIS countries to prevent illegal cross-border movements of narcotics, arms, and WMD materials. This program also enhances regional stability by helping several countries in the region better maintain their territorial integrity in the face of terrorist threats and border zone conflicts. FSA funds will also facilitate the removal of Russian troops and military equipment from Moldova and Georgia.

## **Debt Restructuring**

For fiscal year 2002, the administration is requesting \$224 million for the heavily indebted poor countries (HIPC) trust fund to provide multilateral debt relief. This fund helps regional multilateral development banks, such as the African Development Bank and Inter-American Development Bank, meet their costs of HIPC debt reduction.

In 1999, the United States committed to a \$600 million contribution to the HIPC trust fund. In fiscal year 2001, \$360 million was appropriated for this purpose. The fiscal year 2002 request of \$224 million, combined with \$16 million in previously appropriated but unexpended debt account balances, will fulfill the U.S. commitment in full and leverage participation from others.

For fiscal year 2002, the administration is not requesting any funding to provide bilateral debt relief under the *Tropical Forest Conservation Act of 1998* (TFCA). However, the request does include authority to transfer up to \$13 million from USAID's development assistance account for debt relief under this program. The administration may also use carry over funds from the debt restructuring account for TFCA implementation.

## **International Narcotics Control and Law Enforcement (INCLE)**

Mr. Chairman, we are profoundly concerned about the recent shoot down of a civilian aircraft by the Peruvian Air Force and the tragic deaths of an innocent woman and her child, as well as the injury of another civilian and the destruction of private property. A full investigation is underway. We will work with the countries in the area to do all that we can to prevent any such tragedy in the future. Meanwhile, however, our counter narcotics effort will remain robust:

- The fiscal year 2002 request includes \$217 million for base programs of the Bureau of International Narcotics and Law Enforcement (INL).

- The request provides \$162 million to support counter-narcotics programs outside of the Andean region. These INL programs will grow 30 percent worldwide. They include regional programs for Latin America, Asia, and the Middle East; participation in the U.N. drug control program and other international organizations' counter-narcotics efforts; and increased support for drug awareness and demand reduction.

- The request also provides \$55 million for programs to counter transnational crime, including trafficking in women and children, an increase of 22 percent. These programs include establishing a center to counter international migrant smuggling and trafficking in persons; continuing support of a civilian police contingent for deployment as part of international relief efforts in post-conflict situations; an African regional anti-crime program, focused particularly on Nigeria and South Africa; and support to five international law enforcement academies.

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## **Andean Counterdrug Initiative**

As part of an overall Andean regional initiative, the fiscal year 2002 request includes \$731 million for Andean Counterdrug Initiative (ACI), a multi-year counterdrug assistance effort designed to sustain and expand programs funded by the Plan Colombia emergency supplemental. The ACI differs from Plan Colombia in several respects. ACI triples, to 45 percent, the share of counter-narcotics assistance going to countries other than Colombia. ACI increases to 40 percent the amount of international narcotics control and law enforcement funding going to social and economic programs, exclusive of other economic assistance accounts. Finally, ACI funding will be augmented from other accounts to support reforms directed toward strengthening democracy and economic growth.

Fiscal year 2002 funding for ACI includes Colombia, Peru, Bolivia, Ecuador, Brazil, Venezuela, and Panama.

Combined with Plan Colombia, ACI will make a significant, immediate impact on the flow of narcotics out of the Andes. The Administration's performance goals specifically include:

- Achieving a 30 percent reduction in Colombian coca production between fiscal year 2000 and the end of fiscal year 2002
- Eliminating all illicit coca production in Bolivia by the end of fiscal year 2002

Andean counterdrug initiative will support Colombia's push into the former coca-growing sanctuaries in Putumayo by backing joint operations between the Army's new, air mobile counter-narcotics brigade and the Colombian National Police's anti-narcotics unit. It will also support alternative development and assistance to internally displaced persons, maritime and aerial interdiction, the Colombian National Police's aerial eradication program with additional spray aircraft, and human rights and judicial reform in Colombia.

Additional support for the Andean regional initiative is being provided through economic support funds and foreign military financing. Development assistance and child survival and diseases accounts will also support this initiative.

## **Migration and Refugee Assistance**

Mr. Chairman, the fiscal year 2002 request for migration and refugee assistance is \$715 million.

- The request includes \$509 million for overseas assistance. This amount will support the protection of refugees and conflict victims, the provision of basic needs to sustain their life and health, and the resolution of refugee problems through durable solutions. It will also provide funding for the focused "up to standards" initiative targeted on health and health-related problems that appear to have the greatest impact on refugee mortality and morbidity rates.

- The fiscal year 2002 request for refugee admissions is \$130 million. This \$20 million increase over the fiscal year 2001 level reflects a grant increase in the reception and placement program and the fact that \$14.7 million appropriated in fiscal year 2000 was available for admissions in fiscal year 2001.

- The request for refugees to Israel is \$60 million, the same amount appropriated in fiscal year 2002, prior to the rescission.

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- The request for administrative expenses is \$16 million, an increase of \$1.5 million from the fiscal year 2001 level. This level will support the full-year salaries and operating costs associated with a staff of 110 positions. The increase includes funds to cover full-year support costs of several refugee coordinator positions to be established at the end of fiscal year 2001.

In addition to the this funding request, we are asking for \$15 million to replenish the U.S. emergency refugee and migration assistance fund. This request will preserve the President's ability to respond to unforeseen and urgent refugee and migration needs worldwide.

### **Nonproliferation, Anti-Terrorism, Demining, and Related Programs**

The fiscal year 2002 Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) request includes a total of \$332 million.

- \$14 million for the Nonproliferation and Disarmament Fund (NDF), a contingency rapid-reaction fund which can meet unanticipated challenges and disperse funds quickly in support of urgent nonproliferation objectives.

- \$17 million for export control assistance designed to provide training and equipment to establish or enhance export control systems. Funds support programs in Russia and the New Independent States, Central and Eastern Europe, and key transit states worldwide.

- \$37 million for the science centers to prevent former Soviet weapons experts in Russia, Ukraine, and the other New Independent State countries from emigrating to proliferant states by financing civilian research. It has redirected tens of thousands of New Independent State weapons of mass destruction and missile scientists to peaceful pursuits and remains a key component of U.S. nonproliferation policy.

- \$49 million for voluntary contributions to the International Atomic Energy Agency (IAEA) to support effective implementation of strengthened nuclear safeguards measures and growth in the area of nuclear inspections. The \$2 million increase will fund safeguards technology development relevant to verifying North Korea's initial nuclear inventory.

- \$20 million for the Comprehensive Nuclear Test Ban Treaty (CTBT) Preparatory Commission to pay the U.S. share of costs for the ongoing work of the Provisional Technical Secretariat, including development and implementation of the international monitoring system (IMS) to detect nuclear explosions.

- \$95 million for the U.S. contribution to the Korean Peninsula Energy Development Organization (KEDO) for administrative costs and heavy fuel oil purchases in fiscal year 2002. KEDO is responsible for implementing elements of the agreed framework between the United States and the Democratic People's Republic of Korea by financing and constructing light water reactors in North Korea and by providing annual shipments of heavy fuel oil to the North Korea until completion of the first light water reactor. The requested increase reflects a near doubling of the price of heavy fuel oil on world markets.

- \$38 million for the Anti-Terrorism Assistance (ATA) program to meet the widening and continuing terrorist threat. Funds will support ongoing core ATA programs, develop new courses (including a new cyberterrorism course), increase training to select Balkan and Central Asian states, and initiate an energy security-related training program in the Caspian region. The request also includes \$2 million to continue the weapons of mass destruction preparedness program, which is designed to help foreign government officials and "first responders" manage terrorist incidents involving weapons of mass destruction. Funds will support policy workshops

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with senior host government officials and “first responder” training for hazardous material personnel, paramedics, and other security personnel who would be on the front lines dealing with an actual incident.

- \$4 million for the terrorist interdiction program to support the third year of a multi-pronged border security program designed to assist selected vulnerable countries in stopping terrorists from crossing their borders or using their territory as transit points or staging areas for attacks. Funds will support installation of an integrated personal identification database system and associated training for about five countries in East Asia, Africa, Europe, and the Middle East. A small amount of funds will also help upgrade INTERPOL’s communications system to complement the database network.

- \$16 million contribution toward the incremental cost of holding in the Netherlands the trial for the 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland.

- \$40 million for the humanitarian demining program, which supports a wide range of humanitarian mine action initiatives in nearly forty countries around the globe. The program’s emphasis is on mine clearance, surveys, and mine awareness, although some funds are provided for training and special projects that indirectly benefit mine-affected nations.

- \$2 million to support the second year of the small arms destruction initiative, which is designed to eliminate stockpiles of excess small arms and light weapons left over from Cold War and post-Cold War conflicts, particularly in Eastern Europe, Central Asia, Latin America, and Sub-Saharan Africa.

## **Military Assistance**

### **International Military Education and Training**

- The administration is requesting \$65 million for international military education and training (IMET) in fiscal year 2002. IMET encourages mutually beneficial relations and increased understanding between the U.S. and foreign militaries to help create a more stable and secure world community. Through more frequent and wide-ranging contacts, IMET promotes a shared set of values and a common approach to conflict resolution.

- The increase over the fiscal year 2001 level will allow additional personnel to enroll in courses offered on professional military education; military operations, with such subjects as tactics, strategy, and logistics; and technical training, such as aircraft maintenance. Approximately 2,000 courses are available for over 9,000 students at 150 military schools and installations.

- In addition, special courses known as expanded IMET (E-IMET) are designed to promote greater respect for and understanding of the principle of civilian control of the military, democratic values, and military justice systems that protect internationally recognized human rights.

### **Foreign Military Financing**

The administration is requesting \$3.674 billion for foreign military financing (FMF) in fiscal year 2002, including:

- \$3.4 billion for Israel, Egypt, and Jordan military assistance programs

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- \$39 million to support NATO's newest members — Poland, Hungary, and the Czech Republic

- \$97.5 million to strengthen cooperation with partnership for peace (PfP) partners in Central Europe, the Baltics, and the New Independent States. Requested funds will help support new and ongoing programs to help meet membership action plan goals and objectives and enhance interoperability with North Atlantic Treaty Organization (NATO).

- \$22 million for the East Asia and Pacific region. The majority of these funds will support a multi-year FMF program for the armed forces of the Philippines to sustain crucial military capabilities while promoting clear and positive action to correct significant budgetary and logistical deficiencies. Other funds for this region include continued funding to provide Mongolia robust communications equipment to help respond to security threats along its border and \$1 million to help support a new East Timor Defense Force.

- \$18 million for countries in the Western Hemisphere to help support the capabilities of militaries engaged in drug interdiction, search and rescue, and anti-smuggling operations, and help sustain small professional forces essential to regional peace and security. Funds will also aid in increasing the capabilities of key countries that participate in worldwide peacekeeping operations such as Chile, Argentina, Bolivia, and Uruguay, and provide assistance to help Andean and Central American countries counter the "spill-over" security problems caused by the effective implementation of Plan Colombia.

- \$19 million for the Africa region. These funds will aid in the reform and modernization efforts of the Nigerian military, enhancing its role in Nigeria's transition to democracy and supporting participation in U.N. peacekeeping operations. Funds will also support South African airlift capabilities and military reform efforts. The Africa Regional Stability account consolidates regional African requirements that will permit greater flexibility to respond to developing situations in countries such as Ethiopia and Eritrea and selectively support militaries that are willing to support humanitarian and peacekeeping operations.

- \$8 million for the Enhanced International Peacekeeping Initiative to provide assistance to key countries to improve their peacekeeping capabilities with an emphasis on peacekeeping doctrine and education, training, and communications systems. This program will create a bigger pool of potential peacekeepers, thereby reducing dependence on U.S. forces.

- \$10 million designated for policy initiatives of the new administration.

- \$35 million for Department of Defense (DoD) costs for the successful administration of global grant military assistance programs. The \$2.2 million increase above the fiscal year 2001 level is needed to cover costs in support of security assistance offices overseas.

## **Peacekeeping Operations**

The administration is requesting \$150 million for Peacekeeping Operations (PKO) in fiscal year 2002.

Peacekeeping Operations funds are designed to advance international support for voluntary multinational efforts in conflict resolution, including support for international missions in response to crises around the world. These funds promote involvement of regional organizations and help leverage support for multinational efforts where no formal cost-sharing mechanisms exist. The budget includes:

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- \$20 million for the African Crisis Response Initiative, which represents final funding for this multi-year program.

- \$54.6 million for Organization for Security and Cooperation in Europe (OSCE) peacekeeping activities in the Balkans preventive diplomacy missions elsewhere in Europe and the NIS.

- \$16.4 million to continue the Administration's commitment to the multinational force and observers in the Sinai.

- \$8 million to continue support for U.S. civilian police assigned to the U.N. Transitional Administration in East Timor mission.

- \$51 million for Africa Regional Peacekeeping Operations, an account that consolidates numerous peacekeeping needs on the African continent. These include assisting the Economic Community of West African States and other African countries that are committed to providing peacekeeping troops in support of the United Nations Mission in Sierra Leone and supporting the Joint Military Commission's efforts in maintaining the peace in the Democratic Republic of the Congo and the Organization of African Unity's efforts in support of military observers in Ethiopia and Eritrea.

### **Multilateral Development Banks and International Organizations and Programs**

The fiscal year 2002 request provides \$1.210 billion for scheduled annual U.S. commitments to Multilateral Development Banks (MDBs). The banks lend to and invest in developing economies and private sector enterprises in countries where risks are too high for private financing alone and where leverage is needed to spur private financing.

- Bank policies and lending programs reflect U.S. priorities in promoting growth and poverty reduction in developing countries. These include financial sector reforms, anti-corruption measures, core labor standards practices, private sector development, and environmental management.

- The global environment facility provides grants and arranges financing for projects that address environmental management problems with global implications in developing countries.

- MDBs support U.S. foreign policy initiatives in Eastern Europe and the former Soviet Union, Latin America, Asia, Africa, and the Middle East.

- At the end of fiscal year 1997, U.S. arrears to the MDBs totaled \$862 million. But by the end of fiscal year 1999, arrears were reduced to \$335.3 million. Fiscal year 2000 and fiscal year 2001 appropriations resulted in overall arrears increasing to their current level of \$498.6 million. Since the administration is not requesting any funding for arrears in fiscal year 2002, it is important that the regular commitment request be fully funded in order to avoid any further increases in arrears.

The President is seeking the following funding for International Organizations and Programs.

- The fiscal year 2002 request of \$186 million provides U.S. voluntary contributions to international organizations and programs to help address global challenges through international cooperation.

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- The total includes funding for the U.N. Development Program that coordinates U.N. development assistance to build countries' indigenous capacities to achieve sustainable development (\$87.1 million); the U.N. population fund that provides critical population assistance to developing countries and countries with economies in transition (\$25 million); and the World Trade Organization (\$1 million), supporting technical assistance and capacity building related to the world trading system.

- The request also includes \$25 million for a contribution to the Montreal Protocol Multilateral Fund that helps developing countries use substitutes for ozone layer-depleting substances; \$10.75 million for the U.N. Environment Program; and other contributions to international conservation programs addressing issues such as international forest loss and biological diversity.

- Funds will be also be used to promote democracy and provide humanitarian assistance worldwide. Specifically, they will provide U.S. contributions to U.N. voluntary funds for torture victims and human rights; to the Organization of American States, supporting development assistance and efforts to strengthen democracy in the hemisphere; and to the World Food Program (\$5.4 million).

### **Export-Import Bank**

The administration is requesting \$633 million for Export-Import Bank's loan and guarantee programs and \$65 million for the bank's operations in fiscal year 2002.

These funds will assist American businesses in sustaining U.S. jobs by increasing exports, thus stimulating economic growth and job creation in the United States.

The fiscal year 2002 request proposes a 25 percent decrease in the bank's program resources, in part to reflect lower estimates of international lending risk. Within this level, Export-Import Bank will continue to serve exporters facing subsidized competition, as well as small and medium-sized enterprises.

The increase for administrative expenses will, among other things, enable the bank to modernize its computer infrastructure to provide better service to the exporting community.

### **Overseas Private Investment Corporation**

In fiscal year 2002, Overseas Private Investment Corporation (OPIC) generated revenue from its private sector users and other sources will allow OPIC to make a contribution of approximately \$251 million in net negative budget authority to the International Affairs budget.

The Administration is requesting the authority for OPIC to spend \$38.6 million for administrative expenses. In keeping with OPIC's mandate to operate on a self-sustaining basis, this funding will come from OPIC user fees and earned income.

The Administration is not requesting credit funding for OPIC in fiscal year 2002. OPIC anticipates that sufficient unobligated amounts from the corporation's fiscal year 2001 appropriation of two-year funds will remain available to support new direct loans and loan guarantees in fiscal year 2002.

In fiscal year 2002, OPIC will continue to support the administration's priorities for investment in such areas as Southeast Europe, Sub-Saharan Africa, Central America, the



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Caribbean, the Middle East, and the Caspian region. OPIC will continue also to emphasize activities and products that increase participation in its programs by American small businesses.

Since 1971, OPIC has supported \$138 billion worth of investments, generating over \$63 billion in U.S. exports and creating or supporting nearly 250,000 American jobs.

### **Trade and Development Agency**

The Trade and Development Agency (TDA) assists in the creation of jobs for Americans by helping U.S. companies pursue overseas business opportunities. Through the funding of feasibility studies, orientation visits, specialized training grants, business workshops, and various forms of technical assistance, TDA helps American businesses compete for infrastructure and industrial projects in emerging markets.

The fiscal year 2002 budget request of \$50 million will enable TDA to continue to strengthen its core regional programs and help U.S. firms compete against heavily subsidized foreign competition. In particular, TDA has witnessed impressive growth in demand for its Asian, Eastern European, and African programs. While meeting this increased demand, TDA's fiscal year 2002 program priorities include expanding its high tech initiative in the areas of financial services technologies and emergency management.

Every dollar TDA invests is associated with \$40 in U.S. exports, estimated to total close to \$17 billion since the agency was established in 1980.

And finally, the fiscal year 2002 budget request provides \$275 million to permit the Peace Corps to continue its role as the leading international service organization engaged in grass-roots development. The increase of \$10.6 million will enable the Peace Corps to continue support of its approximately 7,000 volunteers. This money will permit enhanced security measures for overseas staff and volunteers and will allow completion of information technology initiatives in support of volunteers.

There are of course more details to the President's fiscal year 2002 budget request for international affairs. I invite the members' attention to an excellent Department of State pamphlet entitled "*Summary and Highlights: International Affairs Function 150 - Fiscal Year 2002.*"